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VIETNAM: There has been no substantial change in the military situation in the past few days. Communist pressure has slackened in some areas, but has increased in others.

In the Quang Tri area, the Communists have resumed heavy shelling, firing several thousand rounds of mortar and artillery rounds into government positions in and around the provincial capital during the past few days. The barrages are probably intended to help pin government units in their positions while the enemy forces regroup and form new defensive lines.

Communist pressure against threatened government positions along the central coast has lightened in the past few days, but several district capitals are still largely surrounded by enemy elements.

A sharp drop in enemy-initiated actions has occurred in Military Regions 3 and 4 during the last few days. There are continued indications, however, that Communist elements are moving supplies and possibly small detachments of troops into positions in these military regions from which an intensification of military operations could be supported.

[redacted] in mid-September [redacted] the enemy was moving tanks and supplies into the border area west of Tay Ninh. [redacted]

[redacted] a heavily armed 500-man enemy unit accompanied by five tanks inside the border in this area. [redacted]

[redacted] the enemy is moving supplies by all available means, including porters and trucks, into areas along the northern and western borders of MRs 3 and 4. [redacted]

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USSR: The exodus of Soviet Jews continues at a significant rate, despite last month's decree requiring emigrants to reimburse the state for their educations. It is still too early, however, to determine the decree's overall effect on emigration.

25X1 [redacted] in Moscow state that roughly 10 to 20 Jews a day are paying the new levy, and guess that 20 percent of all working males who receive exit visas for Israel are affected. [redacted] also told US officials that 2,000 Jews emigrated both in August and in September--a decrease of about 500 each month from the January-July average that may in part be due to the summer vacation period.

The exit fee requirement is reportedly being enforced uniformly throughout the Soviet Union. Although the burden of the new law falls most heavily on the Jews, other nationalities, including Russians, have been affected. Furthermore, caprice and arbitrariness in enforcement seem to have been limited by the use of a written schedule of fees applicable to specific types of diplomas. The Soviets have not published the decree and refuse to make the text available to foreign officials on grounds that it is purely an internal matter. Nevertheless, a purported text of the decree, re-

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[redacted] agrees with earlier reports that the fees range from 3,600 to more than 12,000 rubles, exclusive of other fees. The fees are levied regardless of age, sex, or ability to pay.

The Soviets have shown some sensitivity to Western charges that the new law is discriminatory and violates human rights, but there are no indications that Moscow is prepared to retreat on the issue. The refusal to publish the decree or to bring it before the recent session of the Supreme Soviet--actions which do not affect the validity of the law--raises the possibility that if Moscow finds the pressure too great, the law can be amended and published to refute such allegations. [redacted] 25X1

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AUSTRALIA: The government's newly announced policy concerning the flow of investment into and out of Australia is aimed at slowing the rapid buildup of foreign exchange reserves and curbing foreign take-overs of domestically owned firms.

Most restrictions on Australian investment overseas--which has averaged less than \$100 million annually during the past several years--have been removed. At the same time, foreign-owned companies in Australia will be permitted to borrow there, while Australian borrowing overseas will be limited. Canberra hopes that these measures will ease pressures for revaluation of the Australian dollar by slowing the rapid accumulation of foreign exchange reserves.

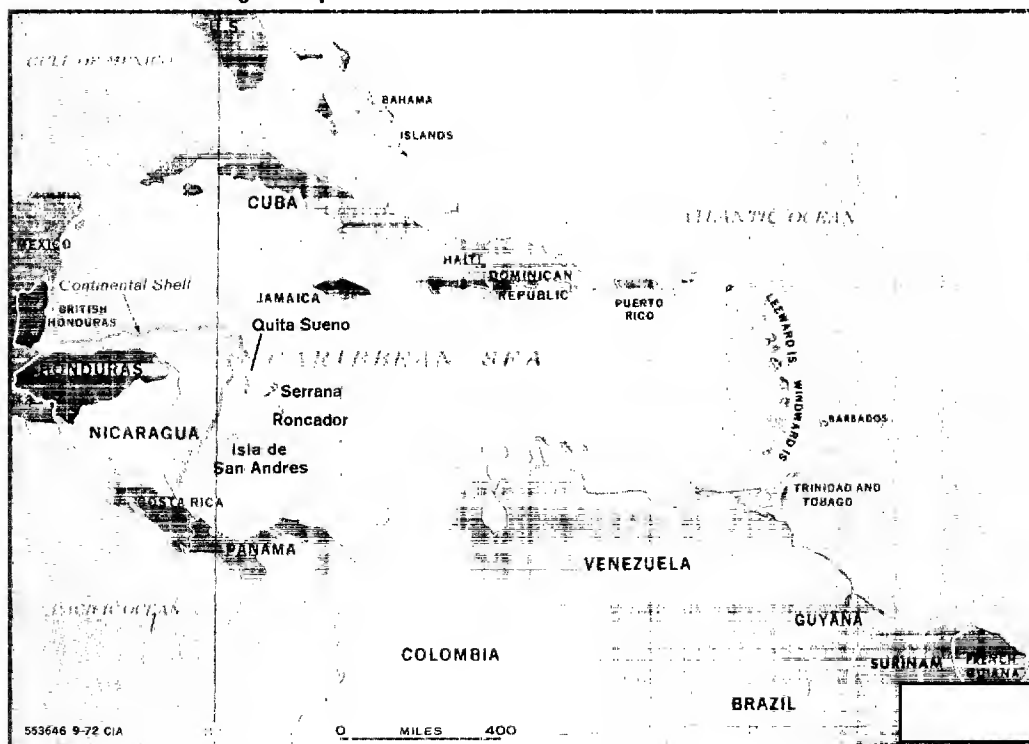
Attempts by foreign companies to gain control of Australian firms will be screened by a new commission until formal legislation on take-overs is enacted. The problem of foreign control of Australian resources is still under review, but Canberra probably will not significantly limit the inflow of private capital. The government realizes that this capital is essential to the nation's economic development.

The McMahon government found it necessary to take some action on these problems--particularly that of foreign investment--prior to elections later this year, probably in November. Foreign domination of Australian enterprises is an issue that has aroused considerable popular concern and which the opposition Labor Party hopes to exploit in the upcoming campaign.

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Colombia and Nicaragua Dispute Reefs in the Caribbean



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25X1 [REDACTED] COLOMBIA-NICARAGUA: Despite objections by Nicaragua, Colombia has pointedly exercised its claim to sovereignty over three tiny reefs in the San Andres Archipelago.

[REDACTED] Although a visit this week by naval vessels carrying the minister of defense and members of the military high command to the Quita Sueno, Serrana, and Roncador reefs has been termed "routine," the Nicaraguan Government and press see it as provocative. Colombia's claim of sovereignty dates from the early 19th century and was reinforced in 1928, when Colombia and the US signed a treaty agreeing to joint sovereignty in the area and Nicaragua signed a separate protocol granting Colombia sovereignty over the area. A new Colombia-US treaty signed two weeks ago in which the United States renounces its sovereignty--combined with the belief currently held by both Colombia and Nicaragua that there is oil in the disputed area--has reopened the issue.

25X1 [REDACTED] Ignoring the 1928 protocol with Colombia, the Nicaraguan Government insists that it will defend its sovereign rights by all means at its disposal. Because Colombia refuses even to acknowledge the existence of a problem, Nicaragua has been unsuccessful in efforts to discuss the matter and is now preparing to turn to the Organization of American States or the United Nations. [REDACTED]

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25X1 CHILE: Prices for basic foods and other essential goods will be frozen on 1 October to slow inflation. The government also has announced that workers will receive a second wage bonus this month. Combined with an anticipated cost-of-living wage adjustment of about 80 percent in October, this will greatly increase workers' purchasing power at a time when supplies of goods are already inadequate. The combination of higher wages and frozen prices will widen the already sizable gap between supply and demand and further undermine the market system in Chile. [REDACTED]

* * * *

25X1 JAPAN: Tokyo, disturbed over the sharp rise in US wheat prices, stayed completely out of the market for about a month between mid-August and mid-September. The Japanese, who usually make weekly purchases in the US market, apparently hoped the price would fall and initially considered suspending purchases until January. With world wheat prices still going up, however, and domestic stocks equal to about a two-month supply, the government purchasing agency has decided to resume purchases. The Japanese buy about one half of their five-million-ton annual import requirements from the US; Japan has been the largest overseas market for US wheat in recent years. Over the past year, however, the Japanese have been turning increasingly to Canada and Australia. [REDACTED]

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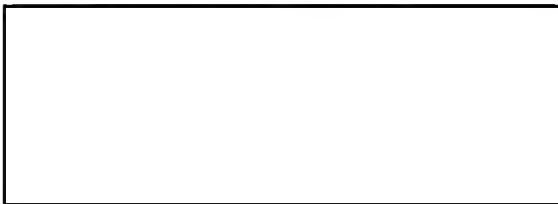
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TOGO-CHINA: An agreement was reached between Togo and China to establish diplomatic relations during the Togolese foreign minister's visit to Peking in mid-September. Togo took the first step a year ago when it announced its intention to recognize Peking and voted for its admission to the UN. The foreign minister admitted to the Nationalist Chinese ambassador that an offer by Peking of a \$45-million interest-free loan was the determining inducement for establishing relations. The loan agreement presumably will provide credits to finance projects. Although the Nationalist Chinese ambassador has not yet been told to leave, Togo is not attempting to follow the Senegalese formula of maintaining both a PRC embassy and a Nationalist commercial office. In the last two years, Peking has offered loans to nearly a dozen African states to encourage diplomatic recognition and support in the UN.

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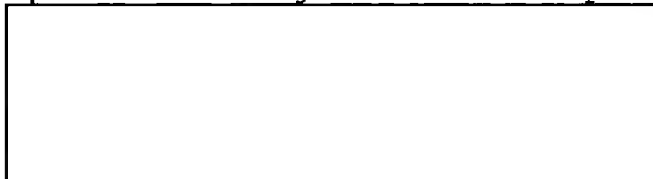
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AFGHANISTAN: The King has rejected Prime Minister Zahir's resignation submitted 24 September, but reportedly will reconsider the matter next month and may then replace Zahir with Foreign Minister Shafiq. Zahir has been ineffective and frustrated as prime minister and clearly has no desire to continue in office, having attempted to resign on previous occasions. The ambitious Shafiq would face many of the same problems--including an unclear grant of authority from the King and an uncooperative parliament--and might well do no better over the long run than his predecessor.

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